

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: #03-19

STATE AGENCY: Indiana State Department of Health

DATE PREPARED: Oct 14, 2003

DATE RECEIVED: Oct 1, 2003

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Digest of Proposed Rule: Currently, a \$39.50 fee is charged to every newborn screened for genetic conditions. Of this amount, \$32.50 is collected as a laboratory service charge and \$7 is submitted to the Indiana State Department of Health (ISDH) to provide funding for the Newborn Screening Program. The proposed rule increases the Newborn Screening Fee collected for the ISDH from \$7 to \$30 per newborn screened.

Governmental Entities: *State Impact - Revenue:* The Newborn Screening Fee is the source of revenue for the Newborn Screening Fund and has not been increased since 1991. The state usually has about 84,000 births annually. The \$23 increase in the fee would increase revenue available to the Newborn Screening Fund by an estimated \$1.932 M annually. The total revenue available to the Fund as a result of a \$30 fee would be approximately \$2.52 M annually.

State Impact - Expenditures: The Newborn Screening Fund pays for the registry that provides for tracking and follow-up of all newborns screened for hearing loss and genetic conditions. It provides for a centralized program that helps families with affected children who are identified through the screening procedures. The program also provides assistance with diagnosis and medical management as well as special foods for children and individuals with disorders identified in the statute. The Fund also is to provide support for a statewide network of genetic evaluation and counseling services. It does not pay for any laboratory testing associated with the actual screening.

The State Department of Health is required by statute to base the Newborn Screening Fee on the anticipated cost of the program. The Department reports that the existing annual program expenditures are \$1,137,000, while the annual revenue from the current screening fee averages about \$600,000. The ISDH has used General Funds from the Children With Special Health Care Needs Program to make up the funding shortfall for several years and will now replace the General Fund appropriation dollars with fee revenue. In addition, the Department states that the expansion in the number of conditions screened will increase the number of administrative follow-up procedures required for invalid or abnormal screens that may need to be repeated, as well as for the increase in the number of individuals identified with a disorder detected by the screening. The ISDH also identifies the need to upgrade the data base capabilities of the program. The Department wishes to allow for a carryover of funds of \$47,000 annually, which do not revert to the General Fund, in order to delay the timing of another fee increase.

According to Myers and Stauffer, the state's Medicaid rate-setting contractor, the state Medicaid program covers approximately 53% of all births in the state. The Office of Medicaid Policy and Planning (OMPP) has

agreed to increase the Medicaid reimbursement paid to hospitals to fully cover the increase in the fee paid for each Medicaid-covered newborn screened. OMPP has estimated that an increase of \$23 in the newborn screening fee would result in additional Medicaid expenditures of more than \$1 M. Medicaid is a federal/state entitlement program in which the federal government pays approximately 62% of each dollar paid for health care services. The state General Fund cost for the increased fee is approximately 38%, or \$390,000. The Department of Health has committed to transferring the amount of matching funds from the Newborn Screening Fund to OMPP in order to provide the state's share of the increase in Medicaid expense.

State employee health care benefits are also expected to be impacted by the Newborn Screening Fee increase. Approximately 900 births are covered by the state's health care benefits provided to employees. The impact of the fee increase on employee health benefits is estimated to be \$20,000.

Local Impact: As with the state employee health care benefits, the increase in the Newborn Screening fee may result in higher costs to local governmental units for employee health care benefits. The impact on local units of government would vary based on the size of the covered group and the specific benefit package offered to employees.

Regulated Entities: *Health Insurance Companies:* The insurance industry is regulated by the Indiana Department of Insurance. Health insurance companies offering coverage in Indiana would be impacted by the \$23 fee increase. For those companies administering self-funded benefit plans for large employers, the cost would be assumed by the employers. For those companies writing policies for smaller employers and individuals, the increased cost could impact contracts written after the announcement of the fee increase.

Information Sources: LSA Tax and Revenue Handbook; Wendy Gettlefinger, ISDH; and Myers and Stauffer, Contractor for OMPP.